



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Conceptual discussion of the Lodi Science Museum leasing the Downtown Lodi Parking Garage retail space and provide direction to the City Manager to enter into negotiations and/or other alternative actions as deemed necessary

MEETING DATE: May 17, 2006

PREPARED BY: City Manager

RECOMMENDED ACTION: Conceptual discussion of the Lodi Science Museum leasing the Downtown Lodi Parking Garage retail space and provide direction to the City Manager to enter into negotiations and/or other alternative actions as deemed necessary.

BACKGROUND INFORMATION: The newly proposed Lodi Science Museum has approached the City Manager with regard to leasing vacant retail space in the Downtown Parking Garage. The Lodi Science Museum is an organization recently established by local residents to provide hands-on science exhibits and programs.

The specific concept discussed proposes that the museum, including a "museum store", occupy the entire 12,000 sq. ft. retail space of the parking garage. This excludes the Fire Department Administrative Offices. The museum, as a key requirement of the lease, would be open no less than five days a week from Wednesday through Sunday for no fewer than 33 hours per week. The museum store proposes to offer goods similar to the Lodi School Store, located at 768 W. Kettleman Lane, and, in fact, the owner of Lodi School Store, Harrison Weese, proposes to be the owner/manager of the museum store. The museum store would pay market rent for the space it occupies, (it is assumed the store would consume approximately 800 sq. ft.). The rent paid by the museum store would be the rent paid for the entire museum.

Currently, the retail space is not finished; it has no floor, power, air conditioning, etc. This has been a deterrent to attracting high quality tenants. The science museum would install, at their cost, all tenant improvements. However, the science museum needs time to raise the funds for tenant improvements and cannot raise the money without some commitment of the space. If authorized, it is proposed that the City and museum take the following steps:

- 1) Enter into a pre-agreement/or lease, depending upon negotiations, during which time the museum must raise a specific amount of money or firm in-kind commitments from qualified volunteers to construct the tenant improvements, (say six months);
- 2) After six months, and proof of sufficient resources, the museum provides some form of security (bond, cash deposit, etc.) to complete the tenant improvements within a specified time frame, (say six-nine months);
- 3) Upon completion of tenant improvements and lien period, the security is returned;
- 4) At this point, the museum would be allowed to construct exhibits and prepare for opening prior to the commencement of rent, (say six months);
- 5) The museum opens and operates in accordance with the lease terms and hours specified.

APPROVED:


Blair King, City Manager

In terms of advantages and disadvantages the following should be considered:

Advantages –

- The museum provides a positive presence and creates a destination on Sacramento Street and a new destination downtown;
- This development could serve as a catalyst for other development on Sacramento Street;
- Provides for the construction of tenant improvements which heretofore has been an impediment to attracting quality tenants to this location;
- Creates a new retail store downtown;
- Provides a rent income where there has been none.


Disadvantages –

- The rent payment for the entire space would be below market (note: rent payments do not flow to the City's General Fund; all rents are deposited to the Transit Fund);
- The Federal Transit Administration (FTA) has approved the current agreement with Atlas Properties/Lodi City Center 12 and a new agreement will require FTA approval, (FTA regulations allows non-profit uses);
- The City would need to terminate its current Master Lease Agreement with Atlas Properties/Lodi City Center 12;
- If the science museum does not perform in accordance with the terms of the lease, the City would need to regain possession of the property, at times taking this type of action is politically unpopular when it involves a community non-profit organization.

Council direction is requested. Should the City staff further entertain this concept or should we continue to try to attract high quality tenants? If this concept is acceptable, is the schedule reasonable? Any consideration of this concept would require the Council to vote on a lease agreement or other subsequent agreements.

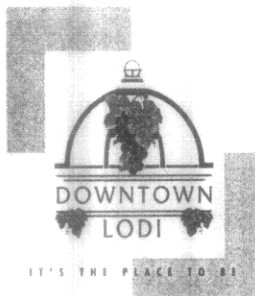
FISCAL IMPACTS: The City's current Master Lease Agreement calls for a one-time payment of \$10,000 and .19 per square foot monthly rent once the space is leased. All proceeds of this agreement flow to the Transit Division, no funds come to the General Fund, unless the tenant pays sales tax or possessor interest tax. The benefit of the retail space is not from rent payments, but from stimulating other retail activity. This proposal will provide a new downtown presence and should stimulate other activity downtown. Assuming the tenant improvements are constructed, this will overcome what has been a major obstacle to the rental of the space and will improve the value of this property.

FUNDING AVAILABLE: Not applicable.



Blair King, City Manager

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April 8, 2006

Re: Lodi Science Museum

The Downtown Lodi Business Partners have been watching the Lodi Science Museum project with interest, and we are overwhelmingly in support of this project. This is truly a unique opportunity for Lodi that we believe will compliment existing educational and recreational institutions within our city. Considering the qualifications of those involved, we are not surprised by the momentum it has gained. We believe the directors are highly motivated and resourceful, and we believe they will not relax until they have achieved their stated goals. It is a relief that during this period of financial uncertainty, the Lodi Science Museum places no added burden on our city budget.

There is little doubt that the downtown business community would directly benefit by the establishment of this science museum and it is our hope that the Lodi City Council and city staff will make every practical effort to support the Lodi Science Museum.

Dave Kirsten

Downtown Lodi Business Partners
Economic Development Committee

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April 10, 2006

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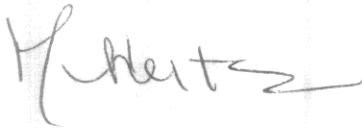
Dear Mr. Blair King,

It is with great pleasure that we recommend Lodi Science Museum for the location available Downtown on Sacramento Street.

It makes fiscal sense to utilize the space in the parking structure, which has been sitting vacant for several years. The parking structure will provide adequate parking for the Museum. In addition, customers will have a wide range of transportation to choose from with the City of Lodi Transit Division one block away.

We believe that the Lodi Science Museum will be an immeasurable asset to the Downtown Lodi Merchants, especially Sacramento Street. This type of educational establishment will thrive at the prospective location, bringing organizations and families to Lodi from all over the Valley.

Very truly yours,
HERTZ REALTY, INC.

A handwritten signature in dark ink, appearing to read "Hertz", is written over the typed name of the company.